

Message Text

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46

ACTION EA-09

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-01

INR-07 NSAE-00 USIA-15 TRSE-00 XMB-04 OPIC-06 SP-02

CIEP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-04

CEA-01 L-03 H-02 PRS-01 PA-02 AGRE-00 INT-05 FEAE-00

/103 W

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R 090656Z NOV 76

FM AMEMBASSY KUALA LUMPUR

TO SECSTATE WASHDC 5154

INFO AMEMBASSY SINGAPORE

AMCONSUL HONG KONG

UNCLAS KUALA LUMPUR 6476

HONG KONG FOR TREAS. REP SHARPE

E.O. 11652: N/A

TAGS: EINV, MY

SUBJECT: INVESTMENT POLICY OF GOM

1. SUMMARY: SPECIAL ECONOMIC ASSISTANT TO PM STATES THAT MALAYSIA WILL NEED FOREIGN INVESTMENT PAST 1990 AND ATTRIBUTES RECENT LACK OF INVESTMENT TO WORLD ECONOMIC SITUATION RATHER THAN GOM LEGISLATION. SPEECH IS FURTHER GOM EFFORT TO ALLAY FEARS OF PRIVATE SECTOR BUT WILL HAVE LITTLE EFFECT UNLESS TIED TO CONCRETE ACTION ON PART OF GOM. END SUMMARY.

2. IN A SPEECH TO THE MALAYSIAN ECONOMIC ASSOCIATION, RAJA TAN SRI MOHAR, SPECIAL ECONOMIC ADVISOR TO THE PRIME MINISTER STATED THAT MALAYSIA WILL CONTINUE TO NEED FOREIGN INVESTMENT AND TECHNOLOGY PAST 1990. MOHAR WENT ON TO STATE THAT GOM IS WELL AWARE OF ROLE THAT FOREIGN INVESTMENT CAN PLAY IN ACCELERATING NATIONAL DEVELOPMENT. MOHAR CREDITED MALAYSIA'S LIBERAL TRADE POLICY AND SOUND MONETARY AND FISCAL POLICIES FOR
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CREATING A STABLE ECONOMY WHICH INVESTORS HAVE FAITH IN.

3. MOHAR STATED THAT GOM IS AWARE OF CONCERNS OF PRIVATE SECTOR RAISED OVER THE INDUSTRIAL COORDINATION ACT AND THE PETROLEUM DEVELOPMENT (AMENDMENT) ACT AND WOULD TRY TO ACCOMMODATE THEM. (HOWEVER, HE DID NOT SPELL OUT HOW GOM INTENDS TO DO THIS). RE THE RECENT "DRYING UP" OF INVESTMENT MOHAR MAINTAINED THAT THIS WAS MORE ATTRIBUTABLE TO THE GENERAL WORLDWIDE RECESSION THAN TO PRIVATE SECTOR'S NEGATIVE RESPONSE TO GOM LEGISLATION.

4. COMMENT: MOHAR'S SPEECH WAS ANOTHER ATTEMPT BY GOM TO PERSUADE PRIVATE SECTOR, PARTICULARLY FOREIGN INVESTORS, THAT GOM INTENDS TO BE RESPONSIVE TO THEIR NEEDS. THIS CONTINUING GOM PUSH FOR PRIVATE SECTOR INVESTMENT, HOWEVER, WILL PROBABLY FALL SHORT OF DESIRED EFFECT UNTIL CONCRETE ACTION, E.G., AMENDMENT OF I.C.A. AND RESOLUTION OF UPSTREAM PETROLEUM NEGOTIATIONS

ACTUALLY OCCURS. (IN THIS REGARD, SUBCOMMITTEE OF GOM COMMITTEE ON TRADE AND INDUSTRY IS SCHEDULED TO MEET WITH FEDERATION OF MALAYSIAN MANUFACTURERS THIS WEEK.) UNTIL THEN, WE EXPECT PRIVATE SECTOR TO CONTINUE ITS "WAIT AND SEE" ATTITUDE REGARDING NEW INVESTMENT IN MALAYSIA.
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